

Progressive indexing offers true reliability of benefits for young Americans.

By John W. Snow
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To help put Social Security on a financially sustainable course, President George W. Bush has proposed protecting future benefit levels for lower-income people, while slowing the growth rate for those better off. Under this approach, those most in need will retire with benefits greater than the current system can deliver. The benefits for higher income people also will rise over current levels, but at a slower rate.

Yet the president has been criticized for cutting benefits. In the real world, receiving a 3 percent raise instead of a 5 percent raise would not be considered a "pay cut." In the case of Social Security, we must reject misleading, inside-the-Beltway language that treats a reduction in the rate of increase as a decrease in benefits. The future of this program is simply too important to every American to let such misleading rhetoric go unchallenged.

In a recent prime time news conference, the president outlined his proposals to permanently strengthen Social Security. Despite what others would have you believe about a progressive indexing approach, middle- and low-income Americans are among those with the most to gain from these reforms.

Only in Washington would it be argued that a program that is unsustainable should not be fixed. The arithmetic of the problem cannot be denied: Social Security's cash flows peak in 2008, and deficits begin in 2017. People are living longer and having smaller families, so there are fewer workers to support increasing numbers of retirees. In 1950, there were 16 workers paying into a system for every retiree. Today, we have only about three workers for every beneficiary.

What often is lost in the current debate is that by 2041, Social Security will be able to pay only 74 percent of the benefits now promised. That means that benefits necessarily will be cut across the board unless we act now to strengthen and save the system. Common sense dictates that the highest earning seniors in the future will not need benefits dramatically higher than the highest earners receive today, especially when the cost of paying such benefits would mean crippling tax increases.

To protect the neediest Americans, President Bush is proposing a progressive indexing approach that would offer greater benefits for most Americans than the current system could afford to pay. For middle- and low-income seniors, benefits would continue to grow faster than inflation. For the highest-earning seniors, however, benefits would grow no faster than the rate of inflation.

Progressive indexing would mean real income security for millions of middle-class Americans who otherwise would face certain benefit cuts. Today's middle-income 20-year-old would get \$17,300 per year in benefits when he retired - \$1,800 more than the current system can pay and \$2,500 more than today's middle-income retiree receives. Expected benefits for those workers who invest in personal accounts would be even higher.

A responsible, reasonable and sustainable rate of benefit growth for wealthier seniors also would eliminate poverty among future seniors. Today, about 2 million retirees who paid into Social Security their whole lives are collecting benefits that still leave them below the poverty line. By 2041, this number is projected to double. A sliding-scale benefit formula eventually would be able to ensure that no American who works a lifetime need retire in financial distress.

Progressive indexing would solve most, but not all, of Social Security's financing shortfalls, and the president is committed to working with Congress to find the best way to resolve the remaining problems. This includes offering younger workers the option to save a portion of their payroll taxes in personal accounts.

President Bush is proposing a reformed system that can afford to keep the promises it makes. Progressive indexing would create benefits that middle-class Americans can rely on, instead of the empty promises of the current system. The administration wants to see Social Security strengthened for those Americans who need it most.

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